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DEPARTMENT FOR AF/W

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SUBJECT: AMBASSADOR MEETS WITH NEW MINISTER OF FINANCE

REF: A) FREETOWN 0665

¶1. (U) Summary: During an introductory call the newly appointed Minister of Finance and Ambassador Perry discussed a wide range of topics including: the strike by workers at the Central Bank, the urgent need to provide electricity to Freetown, the high rate of interest, weakness in revenue collection, the MCC and, in response to the Minister's suggestion, the possibility of a trade mission to promote trade between the U.S. and Sierra Leone. End Summary.

New Minister Faces Urgent Demands

¶2. (SBU) Ambassador Perry paid an introductory call on the newly appointed Minister of Finance, David Carew, on November 16. After introductions, the conversation quickly turned to substantive topics. The Minister noted that the workers at the Central Bank of Sierra Leone had gone out on a one-day strike on November 5 (reftel). Carew said that he had become involved in the negotiations and that the government had agreed to an arrangement on rent allowances, allowing the workers to return while talks continue. The strike came just as an IMF team was scheduled to visit Freetown.

¶3. (SBU) The Minister then elaborated his government's efforts to deal with another urgent issue - providing electricity to Freetown. The electric generating system effectively collapsed in 2006 and restoration of power was a key election issue. The high cost of running generators is an impediment to economic recovery. The Minister said the government intends to restore basic power by December 20 of this year, by establishing an Independent Power Provider (IPP). This would provide electricity until the Bumbuna hydroelectric plant could be brought on line in the third quarter of 2008, claimed the Minister. The cost of the IPP is projected at about \$37 million for a year, of this amount \$7 million would be rental of the generators and \$30 million for fuel costs. The Minister said he is exploring the possibility of using funding from debt relief to help defray the costs of the project. This would entail justifying to the IMF that the generation of electricity could be counted as a poverty reduction measure. As part of the reform of the electricity sector, the Minister said that system of prepayment using new meters is being considered.

Interest Rate Reflects Risk

¶4. (SBU) The Minister said that the prime rate of interest in Sierra Leone is now 25 percent. Banks charge up to 5 percent over prime on loans, leaving customers facing an interest rate of 30 percent. With a relatively low inflation rate and the stability of the Leone/dollar exchange rate, one would have expected the interest rate to come down over the past three years, said the Minister. However, the high risk of

doing business in Sierra Leone and the shortage of capital has kept the interest rate high. The Minister said that in an effort to address this situation, the government plans to require the ten banks in operation in the country to increase their capital by the end of the year.

¶ 15. (SBU) The Minister briefly noted that the National Revenue Administration (NRA) suffers from structural weaknesses which inhibit the collection of taxes. He said that the operations of mining companies may be reviewed. The Minister noted that the energy shortage has reduced profits of many companies. He reaffirmed that Sierra Leone needs to be seen as an attractive place to do business.

Trade Mission and MCC of Interest

¶ 16. (SBU) The Ambassador presented a copy of the MCC scorecard to the Minister. He responded that the information was 'timely' coming as it did at the beginning of his tenure as Minister. The Minister said he is interested in expanding trade between Sierra Leone and the U.S. and suggested that a trade mission might be organized in the near future. He noted also that there are possible privatization projects that may attract foreign investment. The Ambassador suggested that it might be useful to work with the Corporate Council on Africa to set up a trade mission in 2008, after the new government has settled into place.

PERRY